

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 ADP-00 AID-20 CIAE-00 COME-00 FRB-02

INR-09 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 CIEP-02

LAB-06 SIL-01 OMB-01 STR-08 SS-14 NSC-10 L-03 PA-03

PRS-01 USIA-12 TAR-02 RSR-01 /152 W
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R 222329 Z MAR 73

FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC 0729

C O N F I D E N T I A L OTTAWA 0701

E. O. 11652: GDS

TAGS: EIND, EGEN, CA

SUBJECT: US- CANADA ECONOMIC POLICY: AUTO AGREEMENT.

BEGIN SUMMARY. ITC MINISTER GILLESPIE STATES FOR PUBLIC RECORD THAT AUTO PACT COULD BE IMPROVED FOR MUTUAL BENEFIT U. S. AND CANADA. INFLUENTIAL FINANCIAL POST CALLS FOR OVERHAUL OF AUTO PACT WITH NEW SAFEGUARDS FOR BOTH SIDES. IN CONNECTION CURRENT REVIEW U. S. - CANADA TRADE ISSUES, CURRENT " UNCERTAIN" STATUS OF AUTO PACT MAY WORK TO U. S. BENEFIT. CONSIDERATION FOR CHANGE IN TERMINATION PROVISION IS SUGGESTED. END SUMMARY

1. HOUSE OF COMMONS DEBATE MARCH 13 (OTTAWA A-134) ON AUTO PACT AFFORDED TRUDEAU GOVERNMENT OPPORTUNITY SET OUT ITS POSITION AND RECORDED VIEWS OF OPPOSITION PARTIES SPOKESMEN. INDUSTRY, TRADE AND COMMERCE MINISTER STATED THAT AGREEMENT WAS WORKING TO BOTH COUNTRIES' MUTUAL BENEFIT, AND THAT ANY CHANGES IN PROVISIONS " SHOULD BE TO IMPROVE THEM SO AS TO MAKE THEM MORE WORKABLE."

2. MINISTER GILLESPIE ALSO REFERRED TO AUTOMOTIVE AGREEMENT IN SPEECH TO SOCIETY OF FINANCIAL ANALYSTS AT TORONTO MARCH 21, STRESSING THAT DIFFERENCES WITH U. S. REGARDING IT " ARE NOT SIMPLY GOING TO DISAPPEAR THROUGH BENIGN NEGLECT... I THINK IT IS POSSIBLE TO IMPROVE THE AUTOMOTIVE AGREEMENT TO THE
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MUTUAL BENEFIT OF BOTH COUNTRIES."

3. FINANCIAL POST MARCH 24 (ON SALE MARCH 21) CARRIES FRONT PAGE EDITORIAL HEADED " AUTO PACT SNARL NEEDS UNTANGLING." EDITORIAL ASKS " CAN U. S. - CANADA AUTO PACT BE SAVED? HOW MUCH DOES CANADA WANT TO SAVE IT?" AND STATES GOC POLICY MAKERS SHOULD SOON MAKE MINDS UP ON THESE QUESTIONS AND THAT CANADA MUST INSIST, IN LIEU OF PRESENT SAFEGUARDS, ON NEW UNDERTAKING THAT GUARANTEES NEITHER SIDE WILL PROFIT UNDULY. EDITORIAL CONCLUDES:

" IT SHOULD NOT BE BEYOND THE WIT AND WILL OF TWO GOVERNMENTS WITH SO MUCH IN COMMON TO HAMMER OUT A NEW WORDING THAT SUITS BOTH SIDES. IF NO ACCORD IS REACHED, AND IF THE U. S. CARRIES THROUGH WITH ITS ABSURD BARGAINING DEMAND THAT USED CARS BE INCLUDED, THEN CANADIANS MUST FACE UP TO ENDING THE PACT.

" THE MAIN HOPE MUST BE THAT THE U. S. WON' T CHOOSE TO END AN ARRANGEMENT THAT NEARLY QUINTUPLED ITS AUTO EXPORTS TO CANADA IN EIGHT YEARS."

4. INTENSIVE COVERAGE THAT CANADIAN MEDIA HAVE GIVEN IN RECENT MONTHS TO STATEMENTS AND RUMORS FROM WASHINGTON ABOUT U. S. DISSATISFACTION WITH AUTO PACT HELPS CREATE ATTITUDE IN CANADA OF WHICH FINANCIAL POST EDITORIAL IS EXAMPLE. IT MAY ALSO HAVE TENDED TO INHIBIT GOC FROM PRESSURING AUTO FIRMS TO INCREASE CAPACITY IN CANADA. WE KNOW OF SPECIFIC INSTANCE IN WHICH AUTO PACT UNCERTAINTIES HAVE LED U. S. FIRM TO HOLD UP PLANS FOR EXPANSION CANADIAN OPERATIONS. THESE UNCERTAINTIES ABOUT FUTURE OF AGREEMENT, TOGETHER WITH REDUCED CANADIAN COMPETITIVENESS BECAUSE OF APPRECIATION IN EXCHANGE RATE, MAY WELL MEAN THAT CONTINUATION OF STATUS QUO WOULD MOVE AUTO TRADE BALANCE IN FAVOR OF U. S.

5. IN SCRUTINY OF AUTO PACT PROVISIONS AND OPERATION, WE HAVE FOUND ANOMALOUS ONE- YEAR NOTICE PERIOD FOR TERMINATION OF AGREEMENT. WE UNDERSTAND INDUSTRY WORKS WITH TWO TO THREE- YEAR LEAD TIME IN PLANNING OPERATIONS, WHICH MEANS TERMINATION ON ONLY ONE- YEAR NOTICE WOULD ENTAIL SERIOUS ADJUSTMENTS FOR INDUSTRY AND ITS WORKERS. LENGTHENING NOTICE PERIOD SAY TO THREE YEARS, WITH PROVISIO THAT TERMINATION SHOULD COME TO END OF MODEL YEAR, WOULD PROVIDE MEASURE OF REASSURANCE TO INDUSTRY -- AND BRING CANADIAN OFFICIALS TO REALIZE THAT TERMINATION IS CONFIDENTIAL

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MORE THAN TECHNICAL POSSIBILITY. SUGGEST THIS POINT, ON WHICH
VIEWS OF INDUSTRY SHOULD BE SOLICITED, BE CONSIDERED IN CIEP
REVIEW NOW UNDERWAY.
SDHMIDT

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